

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2016 and 2015**

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**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## **INDEPENDENT AUDITORS' REPORT**

Saint John's Program for Real Change  
Board of Directors

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saint John's Program for Real Change (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

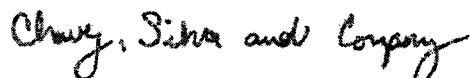
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint John's Program for Real Change as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of Saint John's Program for Real Change's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint John's Program for Real Change's internal control over financial reporting and compliance.

**CHAVEZ, SILVA & COMPANY****Certified Public Accountants**

April 27, 2017

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**Years Ended December 31, 2016 and 2015**

	<b><u>ASSETS</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,223,598	\$ 343,554
Accounts receivable:		
Grants	134,275	113,356
Reimbursable grants	281,187	239,164
Other	277,329	138,752
Prepaid expenses and deposits	74,418	44,541
Inventory	28,853	18,633
Pledges receivable, current	82,167	56,249
Total current assets	2,101,827	954,249
<b>PLEDGES RECEIVABLE, non-current</b>	230,500	222,296
<b>PROPERTY AND EQUIPMENT, net</b>	4,647,694	3,365,505
<b>TOTAL ASSETS</b>	<b>\$ 6,980,021</b>	<b>\$ 4,542,050</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 302,348	\$ 138,120
Accrued expenses	225,080	194,130
Notes payable, current	700,000	-
Total current liabilities	1,227,428	332,250
<b>NOTES PAYABLE, net of current</b>	4,102,171	3,172,171
<b>TOTAL LIABILITIES</b>	5,329,599	3,504,421
<b>NET ASSETS:</b>		
Unrestricted	1,139,089	519,754
Temporarily restricted	511,333	517,875
Total net assets	1,650,422	1,037,629
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,980,021</b>	<b>\$ 4,542,050</b>

See accompanying notes to financial statements.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Government grants	\$ 1,510,784	\$ -	\$ 1,510,784
Contributions	2,366,809	448,000	2,814,809
Program revenues	473,619	-	473,619
Special events:			
Events revenue	798,045	-	798,045
Events expense	(249,822)	-	(249,822)
Net revenues of special events	548,223	-	548,223
Other	71,593	-	71,593
Net assets released from restrictions	454,542	(454,542)	-
Total revenues	5,425,570	(6,542)	5,419,028
<b>EXPENSES:</b>			
Program services:			
Shelter	1,863,864	-	1,863,864
Plates	1,044,870	-	1,044,870
First Steps	346,669	-	346,669
Transitional Housing	341,331	-	341,331
Supporting services:			
General and administrative	569,586	-	569,586
Fundraising	639,915	-	639,915
Total expenses	4,806,235	-	4,806,235
<b>CHANGE IN NET ASSETS</b>	619,335	(6,542)	612,793
<b>NET ASSETS, BEGINNING</b>	519,754	517,875	1,037,629
<b>NET ASSETS, ENDING</b>	<u>\$ 1,139,089</u>	<u>\$ 511,333</u>	<u>\$ 1,650,422</u>

See accompanying notes to financial statements.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Government grants	\$ 1,090,902	\$ -	\$ 1,090,902
Contributions	1,495,560	362,160	1,857,720
Program revenues	816,459	-	816,459
Special events:			
Events revenue	538,788	-	538,788
Events expense	(294,443)	-	(294,443)
Net revenues of special events	<u>244,345</u>	<u>-</u>	<u>244,345</u>
Other	33,003	-	33,003
Net assets released from restrictions	<u>229,286</u>	<u>(229,286)</u>	<u>-</u>
Total revenues	<u>3,909,555</u>	<u>132,874</u>	<u>4,042,429</u>
<b>EXPENSES:</b>			
Program services			
Shelter	1,968,724	-	1,968,724
Plates	929,409	-	929,409
First Steps	274,341	-	274,341
Transitional Housing	277,005	-	277,005
Supporting services:			
General and administrative	604,074	-	604,074
Fundraising	<u>725,194</u>	<u>-</u>	<u>725,194</u>
Total expenses	<u>4,778,747</u>	<u>-</u>	<u>4,778,747</u>
<b>CHANGE IN NET ASSETS</b>	(869,192)	132,874	(736,318)
<b>NET ASSETS, BEGINNING</b>	<u>1,388,946</u>	<u>385,001</u>	<u>1,773,947</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 519,754</u>	<u>\$ 517,875</u>	<u>\$ 1,037,629</u>

See accompanying notes to financial statements.

**SAINT JOHN'S PROGRAM FOR REAL CHANGES**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2016 and 2015**

**Year Ended 12/31/2016**  
**Program Services**

	Shelter	Plates	First Steps	Transitional Housing	Program Services	General and Administrative	Fundraising	Total
Personnel	\$1,174,886	\$ 365,458	\$ 248,591	\$ 122,025	\$ 1,910,960	\$ 241,279	\$ 447,917	\$2,600,156
Costs of goods sold	-	181,418	-	-	181,418	-	-	181,418
Supplies and maintenance	141,202	81,465	41,096	36,225	299,988	6,822	8,568	315,378
Facilities	101,032	160,908	20,620	182,628	465,188	-	-	465,188
Business insurance	23,510	9,979	4,546	-	38,035	2,300	-	40,335
Professional services	154,860	45,526	4,152	-	204,538	187,346	135,303	527,187
Operations	120,071	174,929	27,164	453	322,617	57,015	31,235	410,867
Interest and other expenses	30,095	16,280	-	-	46,375	62,423	12,758	121,556
Total expenses before depreciation	1,745,656	1,035,963	346,169	341,331	3,469,119	557,185	635,781	4,662,085
Depreciation	118,208	8,907	500	-	127,615	12,401	4,134	144,150
Total expenses	\$1,863,864	\$1,044,870	\$ 346,669	\$ 341,331	\$ 3,596,734	\$ 569,586	\$ 639,915	\$4,806,235

**Year Ended 12/31/2015**  
**Program Services**

	Shelter	Plates	First Steps	Transitional Housing	Program Services	General and Administrative	Fundraising	Total
Personnel	\$1,111,510	\$ 304,895	\$ 187,990	\$ 112,686	\$ 1,717,081	\$ 268,778	\$ 425,709	\$2,411,568
Cost of goods sold	-	221,398	-	-	221,398	-	-	221,398
Supplies and maintenance	136,253	49,378	45,819	-	231,450	30,041	5,738	267,229
Facilities	126,632	86,054	9,283	164,319	386,288	-	-	386,288
Business insurance	10,571	6,343	4,229	-	21,143	2,348	-	23,491
Professional services	165,994	14,874	-	-	180,868	186,281	186,906	554,055
Operations	292,794	243,087	27,020	-	562,901	49,811	84,157	696,869
Interest and other expenses	4,381	3,380	-	-	7,761	52,627	15,591	75,979
Total expenses before depreciation	1,848,135	929,409	274,341	277,005	3,328,890	589,886	718,101	4,636,877
Depreciation	120,589	-	-	-	120,589	14,188	7,093	141,870
Total expenses	\$1,968,724	\$ 929,409	\$ 274,341	\$ 277,005	\$ 3,449,479	\$ 604,074	\$ 725,194	\$4,778,747

See accompanying notes to financial statements.



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 612,793	\$ (736,318)
Adjustments to reconcile change in net assets to net provided by cash (used in) operating activities:		
Depreciation	144,150	141,870
Donated property	(510,000)	.
Accrued interest on note payable	30,000	30,000
(Increases) decreases in:		
Accounts receivable	(201,519)	215,136
Prepaid expenses and deposits	(29,877)	(16,438)
Inventory	(10,220)	(11,840)
Pledges receivable	(34,122)	(32,350)
Increases (decreases) in:		
Accounts payable	64,228	(60,373)
Accrued expenses	30,950	51,855
Deferred revenue	- -	(796)
Net cash provided by (used in) operating activities	<u>196,383</u>	<u>(419,254)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land and building	-	-
Payments on construction in progress	(185,889)	.
Purchases of property and equipment	<u>(30,450)</u>	<u>(40,729)</u>
Net cash used in investing activities	<u>(216,339)</u>	<u>(40,729)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	<u>900,000</u>	<u>-</u>
Net cash provided by financing activities	<u>900,000</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	880,044	(459,983)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>343,554</u>	<u>803,537</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,223,598</u>	<u>\$ 343,554</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 52,933</u>	<u>\$ 43,963</u>
Non-cash property acquisitions financed by debt	<u>\$ 700,000</u>	<u>-</u>

See accompanying notes to financial statements.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

**Organization** – Saint John's Program for Real Change ("Saint John's or the "Program") is a charitable nonprofit organization with a mission to unleash the potential of mothers in crisis, improve their health and the quality of their lives, and guide them to economic self-sustainability. Since 1985, we have provided more than 30,000 homeless women and children with the essential tools to change the trajectory of their life.

Operating the largest residential employment training program in the Greater Sacramento Region, we are the only organization focused exclusively on women and children – the most rapidly growing segment of the homeless population. Today, we serve an average of 550 women and children each year with 675 comprehensive service hours each month. Our transformative program provides extremely deep services for up to three years, specifically tailored to rehabilitate and re-assimilate women into the workforce and their community, strengthening their ability to improve and sustain good health.

Due to overwhelming need, Saint John's has increased its capacity by 60% over the last four years. However, the numbers and needs of single-mother-led families entrapped in poverty and homelessness continues to grow. In 2016, Saint John's was able to serve up to 180 women and children daily, translating to 550 annually, but their 250-person daily wait list remained constant. In 2017, Saint John's will expand by another 140 women and children, augmenting their total daily capacity to 320.

96% of Saint John's job-training graduates secure a position on a career pathway to a median level job with higher earnings and benefits. While their mothers are working to rebuild their lives, a dedicated and specially-trained team works with their children to ensure they get them on track academically, socially, physically and emotionally.

Saint John's proven and replicable model empowers single-mother-led families to overcome multiple barriers to employment and self-sustainability and to permanently escape the cycle of poverty and violence.

**Standards of Reporting** - The Program prepares its financial statements using the accrual method of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Revenues are recognized when earned and expenses are recognized when incurred. The Program classifies its assets and liabilities as unrestricted, temporarily restricted, or permanently restricted. The Program had no permanently restricted net assets as of December 31, 2016 and 2015.

Revenues from government grants are recognized when qualifying expenses are incurred. Grant funds received but not earned are recorded as refundable advances.

**Cash and Cash Equivalents** - For purposes of the statements of financial position and cash flows, the Program considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Accounts Receivable** - Accounts receivable includes amounts due from grantor agencies under reimbursement grant agreements. It also includes amounts due for program services. All accounts receivable are considered to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

**Pledges Receivable** - Pledge contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. An allowance of approximately 3.0% of gross pledges receivable is provided for uncollectible pledges based on management's best estimate. Pledge contributions are written off when determined to be uncollectible. Pledges receivable that are expected to be collected in future years are recorded at the present value expected future cash flows using a discount rate of 3.0% for the year ended December 31, 2015. There was no discount for the year ended December 31, 2016.

**Property and Equipment** - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. The Program follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,000. Depreciation is based on the straight-line method over the estimated useful lives, ranging from five to seven years, of the assets acquired.

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**Fair Value Measurements** - The Program's financial instruments consist of cash and cash equivalents and pledges receivable. Pledges receivable is recorded at its net realizable value if expected to be collected in one year, and at its net fair value if expected to be collected beyond one year. All other financial instruments are stated at cost, which approximates fair value.

**Income Taxes** - The Program is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax is limited to activities that are deemed by the Internal Revenue Service (the "IRS") to be unrelated to their exempt purposes. There were no such activities during the years ended December 31, 2016 and 2015. The Program's tax returns for the years ended December 31, 2016, 2015, 2014 and 2013 are subject to examination by either the Franchise Tax Board or IRS, generally up to four years after they are filed.

**Functional Expenses** - The cost of Saint John's program, supporting services and fundraising has been reported on a functional basis in the statement of functional expenses. Expenses are charged to the program based on direct expenses incurred. Support costs are allocated to program and fundraising based on indirect cost allocations.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**In-Kind Contributions** - Donated goods and services are reflected as contributions in accompanying statements at their fair market values as of the date of receipt or the date the service is performed.

**Temporarily Restricted Net Assets** – Temporarily restricted net assets are primarily comprised of donations received from foundations that have time restrictions for future periods.

**Subsequent Events** - Subsequent events have been evaluated through April 27, 2017, which is the date the financial statements were available to be issued.

**NOTE 2 - PLEDGES RECEIVABLE:**

Pledges receivable as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 82,167	\$ 56,249
One to five years	<u>240,500</u>	<u>235,501</u>
Total Pledges receivable	322,667	291,750
Less present value discount	-	3,205
Less allowance for uncollectible pledge	<u>10,000</u>	<u>10,000</u>
Net pledges receivable	<u>\$ 312,667</u>	<u>\$ 278,545</u>

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 3 – PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and Land Improvements	\$1,258,681	\$ 653,681
Building	3,158,701	2,557,415
Furniture and Equipment	591,289	571,970
Vehicles	<u>56,688</u>	<u>42,642</u>
Total	5,065,359	3,825,708
Accumulated depreciation	<u>(603,554)</u>	<u>(460,203)</u>
	4,461,805	3,365,505
Construction in progress	<u>185,889</u>	<u>-</u>
Net property and equipment	<u>\$ 4,647,694</u>	<u>\$ 3,365,505</u>

Depreciation charged to operations for the years ended December 31, 2016 and 2015 was \$144,151 and \$141,870, respectively. Saint John's acquired a new building and land during year for a purchase of \$700,000 and received a related in-kind donation of \$510,000 in connection with this acquisition during the year ended December 31, 2016.

**NOTE 4 - LINE OF CREDIT:**

The Program entered into an unsecured line of credit agreement with a bank in February 2011 that had a maximum available amount of \$300,000. The line of credit bears interest of the prime rate plus 2.0% and is calculated from the date of each advance until repayment of the advance. The line of credit is subject to extension annually. There was no balance at December 31, 2016 and 2015. Saint John's intends to switch to a new lender in April 2017 to service its line of credit. The new line is expected to be \$500,000 and held by Five Star Bank. The expected interest rate will be prime plus 2%. It will be subject to annual extension.

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 5 – NOTES PAYABLE:**

The Organization's notes payable consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
The loan term is 10 years and escrow was closed in September 2013. Date of occupancy was received on March 7, 2014 and the promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 3% annually. Repayment of the loan shall be deferred as long as the Property is used as an emergency shelter or a safe haven. Upon completion of the initial loan term of 10 years, the principal on the loan and all accrued interest shall be forgiven.	1,098,500	\$ 1,068,500
The loan term is 15 years and escrow was closed in June 30, 2013. The promissory note is secured by a deed of trust against the 8401-11 Jackson Road property. Interest on the note accrues at a simple rate of 4% annually and is required to be paid during the first five years of the loan. Repayment of the loan shall be deferred for the first five years. Beginning the sixth year, the principal and interest will be paid in 120 equal monthly installments.	1,103,671	1,103,671
The loan term is 15 years and escrow was closed in December 5, 2014. The promissory note is secured by a second deed of trust against the 8401-11 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the Property is used as an emergency shelter or a safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.	1,000,000	1,000,000

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 5 – NOTES PAYABLE (continued):**

The loan term is 15 years and escrow was closed in August 15, 2016. The promissory note is secured by a deed of trust against the 8395 Jackson Road property. Interest does not accrue on the note and repayment shall be deferred as long as the property is used as an emergency shelter or safe haven. Upon completion of the initial loan term of 15 years, the principal on the loan shall be forgiven.

900,000

The loan term is 6-months, short-term seller financing of the property at 8395 Jackson Road secured by the same property. The loan matures on March 31, 2017, after which interest will accrue at a rate of 5-percent per annum. An initial payment of \$100,000 is due upon borrower's receipt of funding from the Federal Home Loan Bank of San Francisco, and such payment was made on January 9, 2017. Per subsequent agreement with the Seller, the remaining \$600,000 and any costs or fees owing is due and payable in full on the earlier of (i) funding of a forgivable loan to Buyer from the City of Sacramento in the amount of \$600,000, or (ii) May 31, 2017. The Program expects the City loan of \$600,000 to close before May 31, 2017.

	<u>700,000</u>	<u>-</u>
Subtotal	4,802,171	3,172,171
Current portion	<u>700,000</u>	<u>--</u>
Notes payable, net of current portion	<u>\$ 4,102,171</u>	<u>\$3,172,171</u>

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 5 – NOTES PAYABLE (continued):**

Principal Maturities on notes payable are as follows:

2017	\$ 700,000
2018	64,370
2019	110,367
2020	110,367
2021	110,367
Thereafter	<u>3,706,700</u>
	<u>\$ 4,802,171</u>

**NOTE 6 - DONATED GOODS AND SERVICES:**

The Program received significant donations of goods, including clothes, food, and other program supplies. All professional services and rent are recognized at their fair value.

The Program also benefited from volunteer service that did not qualify for recognition under GAAP.

**NOTE 7 - CONCENTRATIONS AND CONTINGENCIES:**

The Program maintains cash balances at several financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to \$250,000. At December 31, 2016 and 2015 the Program's uninsured cash balances totaled \$814,302 and zero, respectively. To date, the Program has not experienced any losses on these accounts.

The Program receives funds from various government agencies. From time to time those agencies review the Program for proper compliance with the grants.

**NOTE 8 – FAIR VALUE MEASUREMENTS:**

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:



**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2016 and 2015**

**NOTE 8 – FAIR VALUE MEASUREMENTS (continued):**

Level 1                      Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2                      Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3                      Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Assets in this level include pledges receivable.

Fair value of pledges receivable are determined by calculating the net present value of future receipts using a discount rate of 3%.

Certificates of deposit and money market funds are included in cash and cash equivalents in the statements of financial position for financial statement presentation purposes.

The following table sets forth by level, within the fair value hierarchy, the Program's assets as of December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges Receivable	\$ -	\$ -	\$ 312,667	\$ 312,667
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,667</u>	<u>\$ 312,667</u>

The following table sets forth by level, within the fair value hierarchy, the Program's assets as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges Receivable	\$ -	\$ -	\$ 278,545	\$ 278,545
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,545</u>	<u>\$ 278,545</u>

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed Through Sacramento Department of Human Assistance:			
Temporary Assistance for Needy Families (TANF)	93.558*	DHA-60-05/A2	\$ 489,048
<u>U.S. Department of Agriculture</u>			
Passed Through Sacramento County Department of Human Assistance:			
CalFRESH - SNAP to Skills Employment Training	10.561	968953070	136,891
<u>U.S. Department of Agriculture</u>			
Passed Through California Department of Education			
Child & Adult Care Food Program	10.558	RONS(A+1) CNIPS#	82,374
<u>U.S. Department of Homeland Security - FEMA</u>			
Emergency Food & Shelter Program	97.024		<u>73,380</u>
Total federal awards			<u>\$ 781,693</u>

\* Denotes a major program

**Note A - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Saint John's Program for Real Change under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of *The Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Saint John's Program for Real Change, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Saint John's Program for Real Change.

**Note B - Summary of Significant Accounting Policies:**

(1) Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.



**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Saint John's Program for Real Change

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint John's Program for Real Change (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Saint John's Program for Real Change's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saint John's Program for Real Change's internal control. Accordingly, we do not express an opinion on the effectiveness of Saint John's Program for Real Change's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

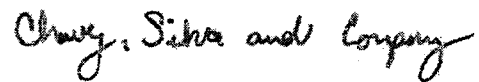
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saint John's Program for Real Change's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CHAVEZ, SILVA & COMPANY****Certified Public Accountants**

April 27, 2017



**CHAVEZ/SILVA & CO**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Saint John's Program for Real Change

**Report on Compliance for Each Major Federal Program**

We have audited Saint John's Program for Real Change's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Saint John's Program for Real Change's major federal programs for the year ended December 31, 2016. Saint John's Program for Real Change's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Saint John's Program for Real Change's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saint John's Program for Real Change's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Saint John's Program for Real Change's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Saint John's Program for Real Change complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

## **Report on Internal Control Over Compliance**

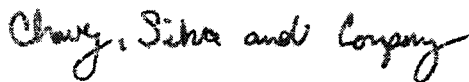
Management of Saint John's Program for Real Change is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Saint John's Program for Real Change's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saint John's Program for Real Change's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of the Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CHAVEZ, SILVA & COMPANY**

**Certified Public Accountants**

April 27, 2017

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2016**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Saint John's Program for Real Change.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statement of Saint John's Program for Real Change, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Saint John's Program for Real Change expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with the Uniform Guidance are reported in Part C of this schedule.
7. The program tested as a major program includes: Temporary Assistance for Needy Families (TANF), CFDA No. 93.558.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Saint John's Program for Real Change qualified as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**None**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

**None**

**SAINT JOHN'S PROGRAM FOR REAL CHANGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended December 31, 2016**

**A. STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**None**